



OBBBA Tuesdays Identifying Aligned Growth Opportunities for Hospitals

Strategic Partnerships in a Shifting Landscape

Agenda

1. OBBBA Overview, Recap, & Impact to Hospitals
2. A Challenging Environment for Hospitals
3. Achieving Health Through Aligned Growth
4. Building Resilience & Response Readiness
5. A Focus on Strategic Paths & Impact
6. Asking the Right Questions

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OBBBA Tuesdays

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Overview & Implications

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Mitigating Regulatory Impacts – DSH & 340B

A Lifetime in Five Years

2019

Volume & Value
Exploration

2021

Operational &
Financial Stress

2020

Public Health
Emergency

2022

Performance
Crisis

2023

Steadying
the Ship

2024

Return to a
New Normal

2025

Legislative &
Regulatory
Uncertainty

01

OBBBA Overview



SDP Questions

While there are many questions about the OBBBA, those related to the SDPs could have the greatest impact on providers.

Grandfathered?

- Definitions:
Depends on how CMS defines “**good faith effort**” or “**completed preprint.**”

Medicare Rate?

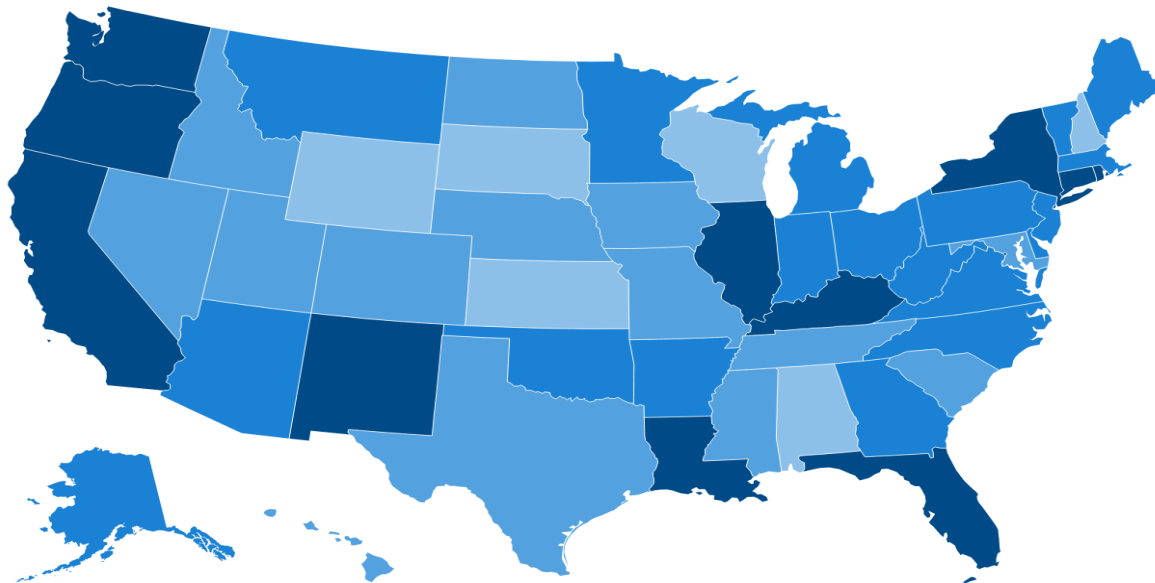
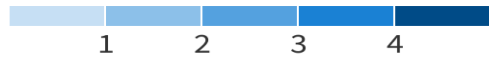
- Definitions:
How will CMS define, “**the specified total published Medicare payment rate?**”

OBBBA: Coverage Impact

Changes to Medicaid and Exchange eligibility are projected to increase the uninsured by 10 million.

2034 Projected Uninsured Increase *OBBBA Medicaid & Exchange Provisions*

Percentage Point Increase



Note: This map takes into account the effects on the uninsured population of passing the One Big Beautiful Bill Act. See methods for details.

Source: KFF analysis of population data from Weldon Cooper Center for Public Service; estimates of uninsured population growth by policy change from CBO, and KFF estimates of how the uninsured increase would be allocated across states (see Methods for additional sources and details).

KFF

Source: <https://www.kff.org/affordable-care-act/issue-brief/how-will-the-2025-reconciliation-bill-affect-the-uninsured-rate-in-each-state-allocating-cbos-estimates-of-coverage-loss/>

Medicaid

- Work requirements for select individuals (\$326B)
- Increased redeterminations for expansion population (\$62B)
- Reduced retroactive eligibility (\$4.2B)

Exchange

- Increased income verification requirements (\$37B)
- Limits premium tax credit eligibility for certain SEPs (\$39B)
- Restricts premium tax credit eligibility for non-citizens (\$120B)

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OBBBA: Other Key Provisions

Good

- Increases 2026 Medicare PFS (\$2B) conversion factor
- Delays LTC staffing ratio requirement (\$23B)

Bad

- Moratorium on Biden administration eligibility & enrollment rules (\$122B)
- Alien Medicaid eligibility (\$6.2B)

Not Included

- Delay of ACA Medicaid DSH reduction

OBBBA: Rural Health Transformation Program

OBBBA creates a \$50B rural health transformation program, available for five years, that states can apply for with funding starting in 2026.

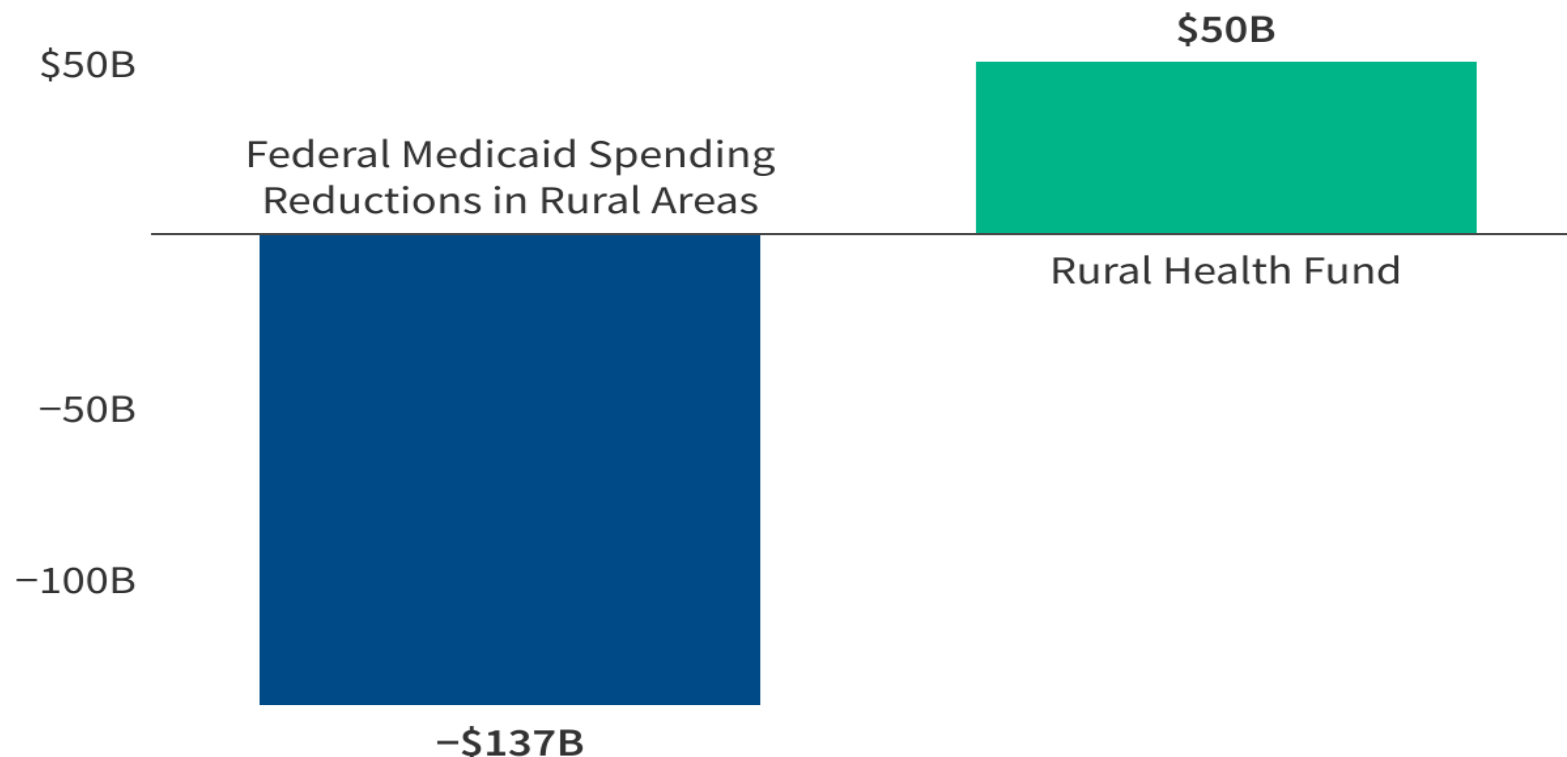
Allocation	Application	Uses
<ul style="list-style-type: none">• Provides \$10B per year for five years• \$5B distributed evenly to each state• \$5B distributed to states based on CMS allocation method	<ul style="list-style-type: none">• States must apply via a one-time application• Required to submit a detailed rural health transformation plan• Funds are not eligible for FMAP• Not more than 10% can be used for administrative costs	<ul style="list-style-type: none">• Prevent/manage chronic disease• Increase provider payments• Adopt technologies to improve care delivery• Recruit clinicians to rural communities• Right size rural delivery systems• Support SUD treatment• Encourage innovative care models

Insufficient Transformation Funding

The rural health transformation fund only covers **36%** of the reduction in federal Medicaid funding for rural areas.

Source: How Might Federal Medicaid Cuts in the Senate-Passed Reconciliation Bill Affect Rural Areas | KFF

The Enacted Reconciliation Package Would Reduce Federal Medicaid Spending in Rural Areas by \$137 Billion; the \$50 Billion Rural Health Fund Would Partially Offset Reductions in Rural Areas



Note: The analysis uses T-MSIS data to estimate the percentage of Medicaid spending that paid for services used by rural enrollees. Those percentages were then applied to national estimated reductions in federal Medicaid spending from KFF's broader analysis of federal Medicaid spending reductions.

Source: Allocating CBO's Estimates of Federal Medicaid Spending Reductions and Enrollment Loss Across the States, and KFF analysis of the T-MSIS Research Identifiable Files, 2021

OBBBA: Hospital Margin Impact

Changes will increase uninsured, reduce Medicaid payments, & reduce eligibility for safety net programs.

Legislative Changes

Eligibility
Requirements

Financing
Restrictions



Direct Margin Impact

- Increased Uninsured
- Reduced State Medicaid Pmts.
- Increased Rev. Cycle Issues



Secondary Margin Impact

- Medicare DSH Eligibility
- 340B Eligibility
- Decreased Medicare DSH Payments

OBBBA: Medicare Impact

The enacted legislation increases the deficit by \$3.4 trillion over 10 years, triggering the 4% Medicare PAYGO sequester.

CBO’s Medicare Estimate of the Statutory Pay-As-You-Go Effects of Public Law 119-21

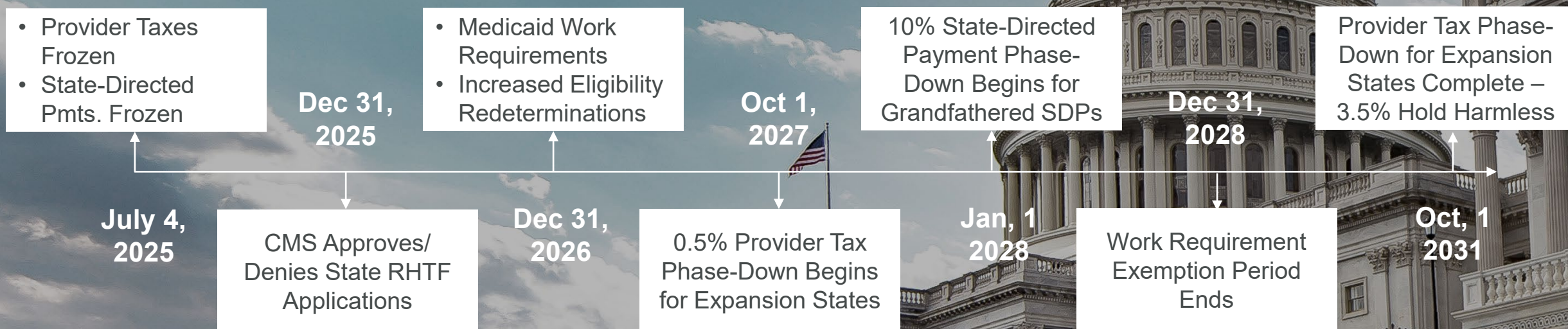
Table 1.
Estimated Statutory Pay-As-You-Go Effects of Public Law 119-21 on Medicare
Billions of Dollars, by Fiscal Year

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2027-2034
Change in Outlays	-45	-48	-54	-52	-58	-62	-66	-75	-76	-491

Source: Congressional Budget Office.

OBBBA Implementation Timeline

Provisions impacting provider finances have staggered implementation dates.



Today's Focus

Key Objectives

- Share how healthcare organizations are rethinking & planning for changes
- Highlight & address questions hospitals should be asking
- Introduce a strategic growth framework & key considerations for alignment through partnerships
- Share a framework for building partnership criteria, by defining your organizations WHY, understanding types of partnerships & benefits, & screening for opportunities
- Highlight organizations who have forged a path forward through greater alignment with a partner provider



02

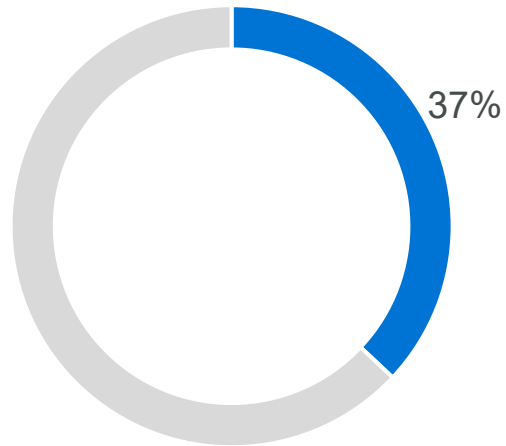
A Challenging Environment



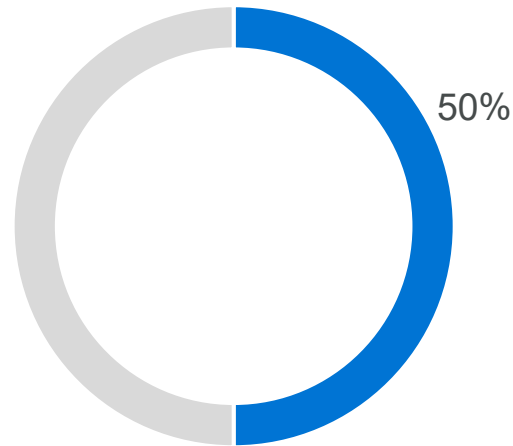
Executive Sentiment*

More Pressures in the Healthcare Industry

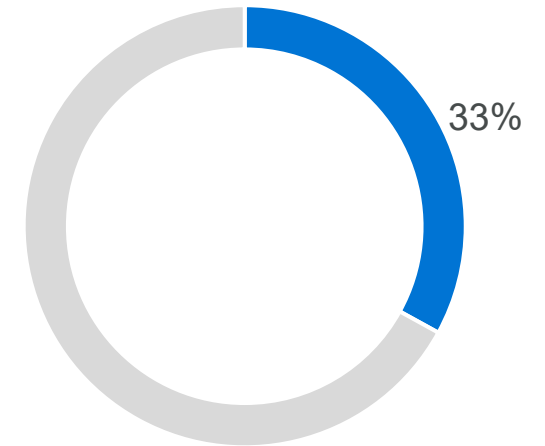
1/3 of executives report that their organization does not have a **revenue integrity program**



50% of provider executives rank **margin improvement pressures** as one of their top three concerns over the next 3-5 years



Only 1 in 3 health plan executives are nearly or fully **prepared for upcoming regulatory requirements**



- Availability of **resources**, including labor, people, & hours are the **largest barrier to achieving cost savings**
- Nearly half of executives report significant levels of **change fatigue** at their organization, which likely contributes to burnout & turnover
- A large majority of executives believe **AI** will drive cost savings for their organizations

Providers Under Pressure

50% of provider executives rank margin improvement as one of their top priorities over the next three to five years.

40% of hospitals had negative margins in 2024

16 hospitals closed in 2025
25 hospitals closed in 2024

338 rural hospitals at risk of closure

Medicare margin for “efficient hospitals” is **-2%**

78% of physicians employed in 2024

774 nursing homes have closed since 2020

Sources:

- 1) Mindsets Healthcare Executive Leadership Report,” Forvis Mazars, 2025.
- 2) https://www.markey.senate.gov/imo/media/doc/letter_on_rural_hospitals.pdf
- 3) <https://www.fitchratings.com/research/us-public-finance/fitch-revises-sector-outlook-for-us-nfp-hospitals-to-neutral-09-12-2024>
- 4) www.medpac.gov/wp-content/uploads/2024/08/Tab-D-Hospital-payment-adequacy-January-2025-SEC.pdf
- 5) <https://www.beckershospitalreview.com/finance/4-hospital-closures-in-2-weeks/>
- 6) <https://www.beckershospitalreview.com/finance/5-hospital-closures-in-2024.html#:~:text=Becker's%20has%20reported%20on%202025,This%20article%20was%20updated%20Dec.>
- 7) <https://www.beckershospitalreview.com/finance/10-hospitals-closing-departments-or-ending-services-5.html>
- 8) <https://www.physiciansadvocacyinstitute.org/PAI-Research/PAI-Avalere-Study-on-Physician-Employment-Practice-Ownership-Trends-2019-2023>
- 9) <https://www.ahcancal.org/News-and-Communications/Press-Releases/Pages/Report-Access-to-Nursing-Home-Care-is-Worsening-.aspx>

Achieving Health

Demonstrating Sustainability & Health

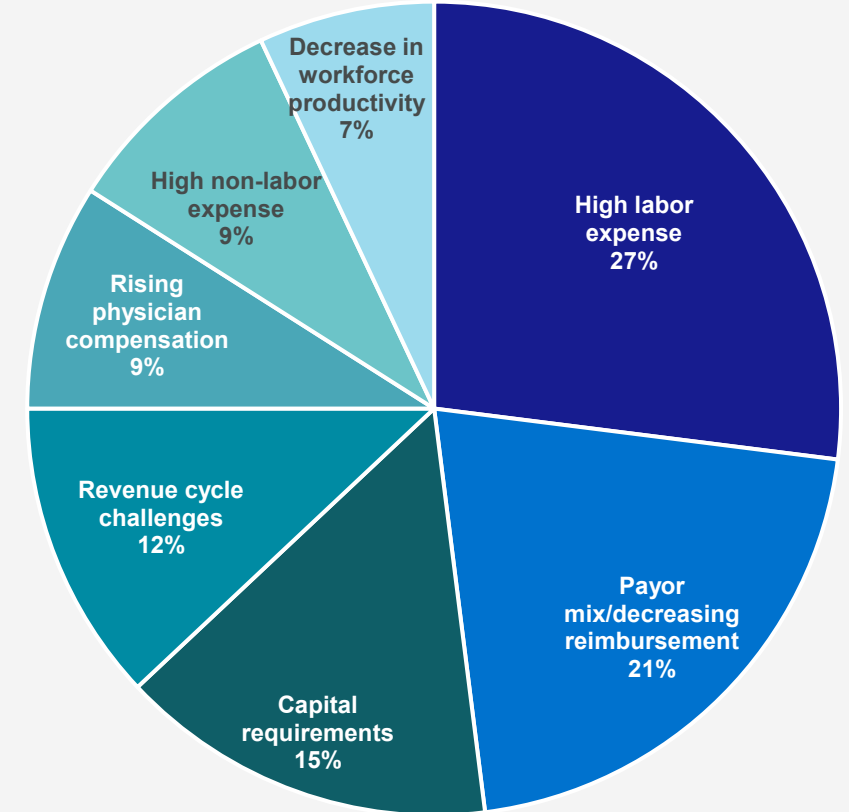
Increasing Challenge of Sustainability

- **Costs are rising faster than revenue**, but there is a return to profitability
- **Regulatory & reimbursement pressures are increasing** as federal state spending cuts are implemented, threatening this return to profitability
- **Uninsured population is growing**
- **Increasing competitive pressures** – local, regional, for-profit, payors

Strategies to Be Sustainable

- Understand the real financial hit to your system & your real growth opportunities
- Efficiency through investing in labor productivity & streamlining operations
- Protect revenue integrity by ensuring accurate billing & implementing financial oversights
- A focus on delivery quality care cannot be lost
- Invest in your workforce & your technology/AI/innovation augmentation strategies
- Change leadership & management is more important than ever

Rank your organization's biggest challenge to achieving financial sustainability



Demonstrating Sustainability

The Fight to Regain Hospital Margins

In June 2025, hospitals demonstrated improved margins from the previous year, while also noting increased expenses.



15%

Year-over-year increase in
average hospital
operating margin



9%

Year-over-year increase in
net operating revenue per
calendar day



12%

Year-over-year increase in
drug expenses

03

Achieving Health Through Aligned Growth



Achieving Health

What We Believe

Healthcare organizations must commit to collaboration, prioritizing resources for continual improvement, & developing core capabilities.

What is to gain from Achieving Health?

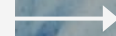
1

Enhanced competitive advantage



2

A growing public reputation



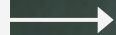
3

Improved partnership opportunities



4

Risk mitigation



5

Increased access to resources



6

Better outcomes delivered more efficiently

Achieving Health Core Capabilities

Healthcare organizations should develop & continually improve upon five core capabilities as a prerequisite to Achieving Health for individuals, communities, & their enterprises.



Scan to learn more.



Achieving Health

Prioritizing Aligned Growth

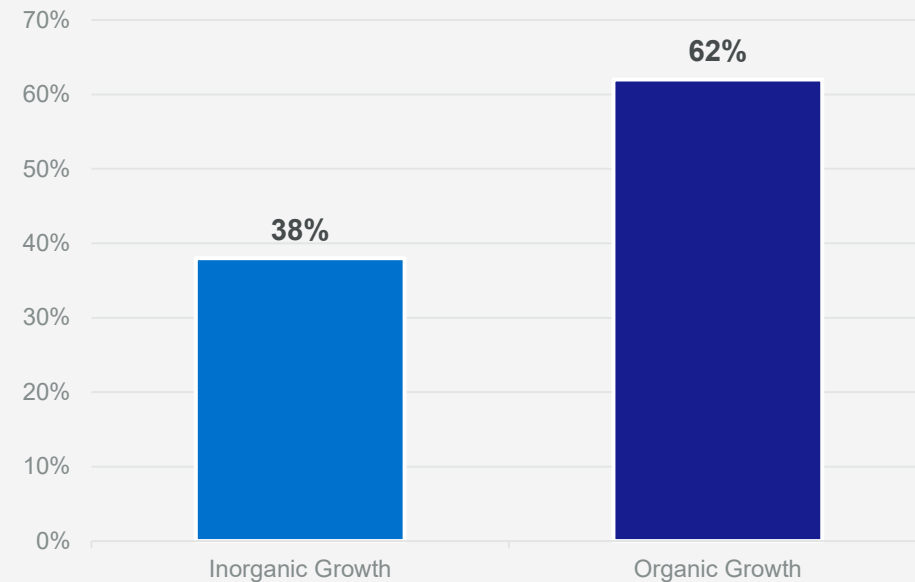
Anticipation of Growth

- Organic revenue is expected to grow 4.2% YoY from 2024, not keeping pace with required growth for both operations & capital investments
- Organic growth (increasing volumes, expansion of care continuum, etc.) is preferred by executives but inorganic growth (mergers, partnerships, etc.) is also expected

Navigating Growth

- Using financial, operational, clinical, & market data to inform decisions
- Maintain alignment by staying true to the organization's strategic mission & goals
- Ensure organization's sustainability amid growth

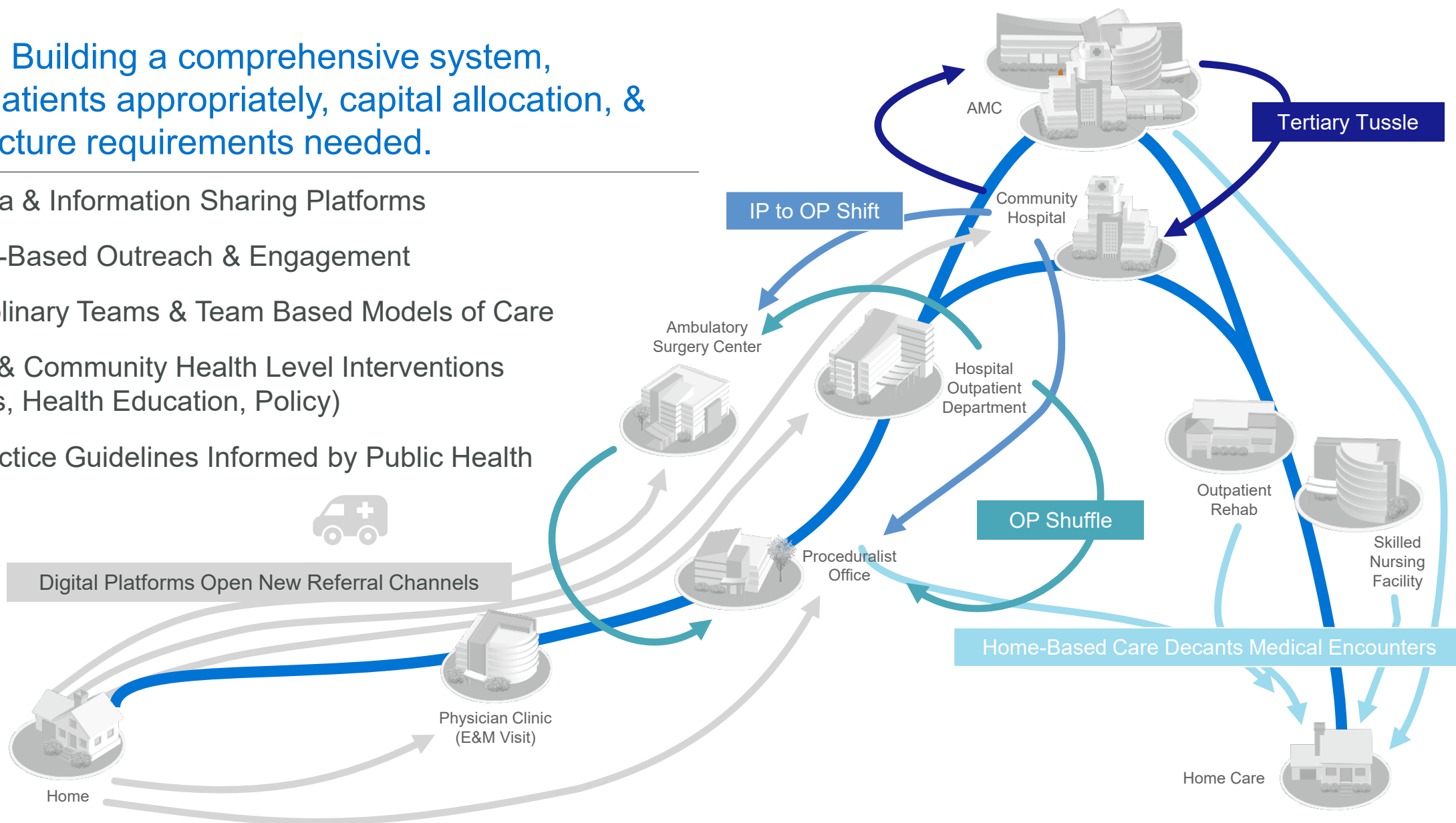
How do you see your organization primarily achieving growth targets over the next two years?



The Evolving Systems of Care Model

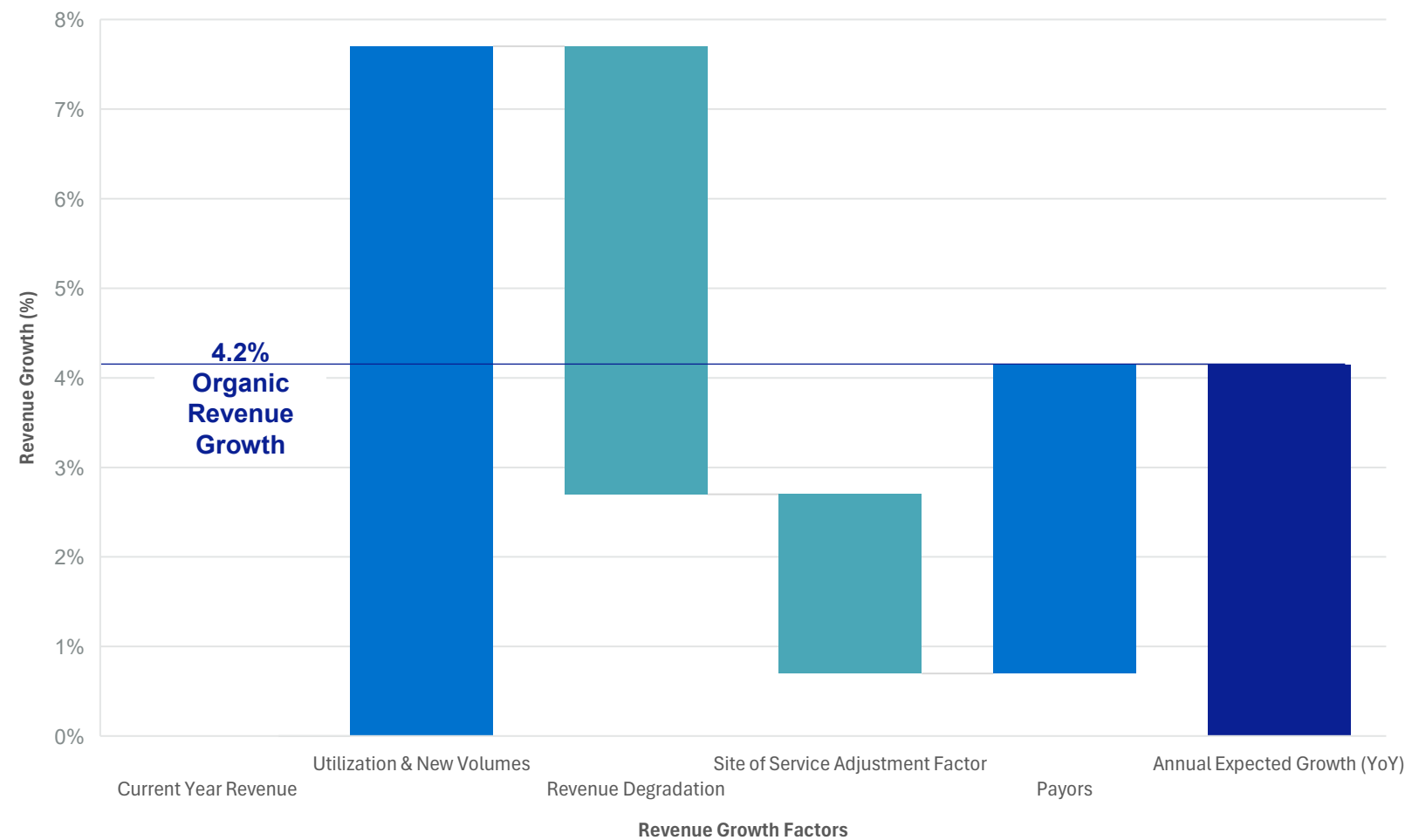
Challenge: Building a comprehensive system, navigating patients appropriately, capital allocation, & the infrastructure requirements needed.

- Shared Data & Information Sharing Platforms
- Community-Based Outreach & Engagement
- Multi-Disciplinary Teams & Team Based Models of Care
- Population & Community Health Level Interventions (Screenings, Health Education, Policy)
- Clinical Practice Guidelines Informed by Public Health Data



Evaluating YoY Growth to Support Sustainability

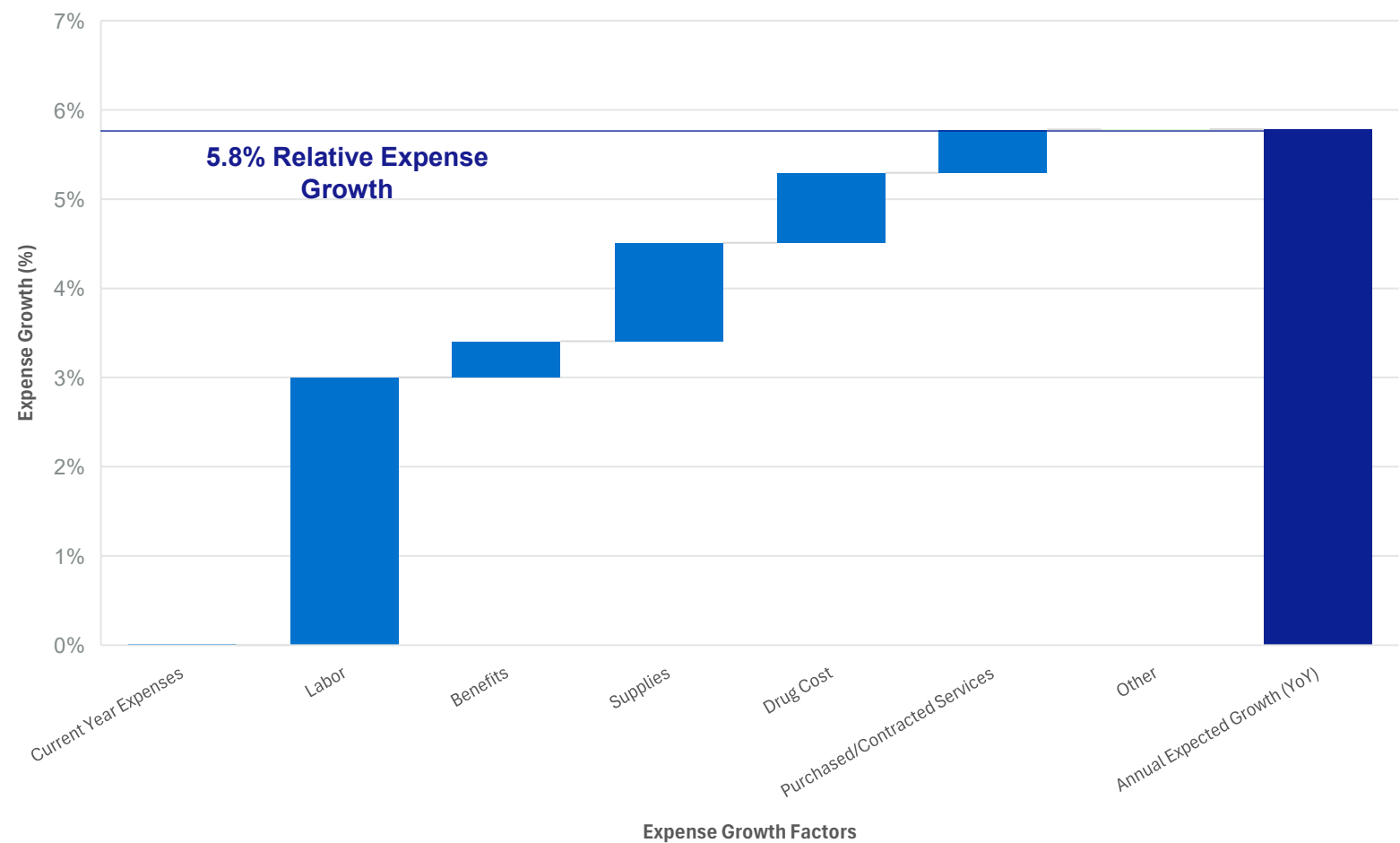
A Look at Revenues



Revenue Growth Factors	% Growth
Utilization & New Volumes	7.7%
Revenue Degradation	(5.0%)
Site of Service Adj. Factor	(2.0%)
Payors (All Sources)	3.5%
Total Revenue Growth	4.2%

Evaluating YoY Growth to Support Sustainability

A Look at Expenses



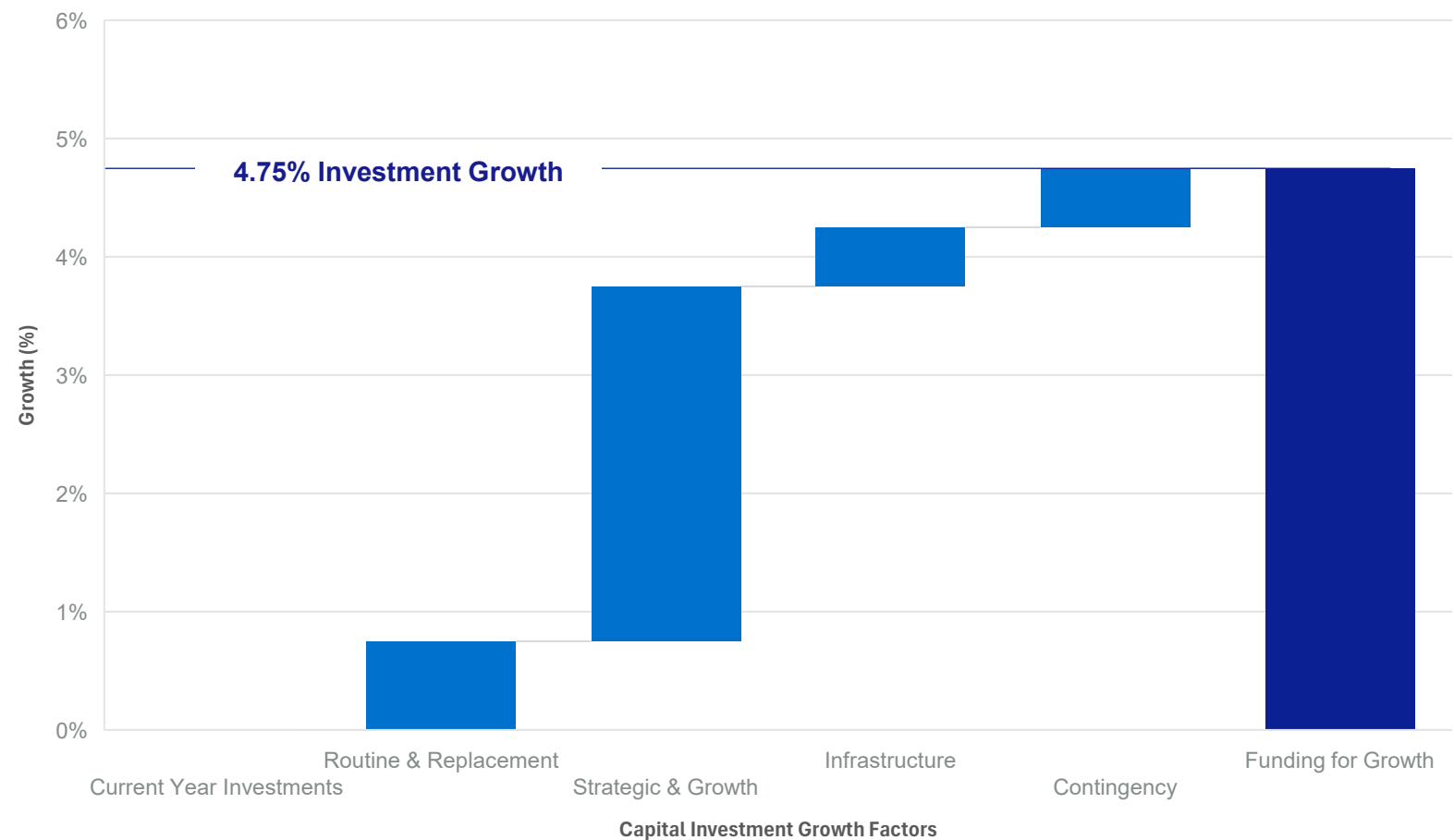
Expense Growth Factors / Weighted	Growth %
Labor	3.00%
Benefits	0.41%
Supplies	1.11%
Drug Cost	0.78%
Purchased / Contracted Services	0.49%
Other	0.003%

Expense Growth Factor	% of NPSR	Annual Growth Rate (%)
Labor	50.0%	6.0%
Benefits	6.0%	7.3%
Supplies	13.0%	8.5%
Drug Cost	9.0%	8.7%
Purchased/ Contracted Services	6.0%	7.9%
Other	16.0%	0.1%

Sources: American Hospital Association, Strata Financial Decision Support Systems, Kaufman Hall National Hospital Flash Report (Q1 2025)

Evaluating YoY Growth to Support Sustainability

Incorporating Required Capital Investments

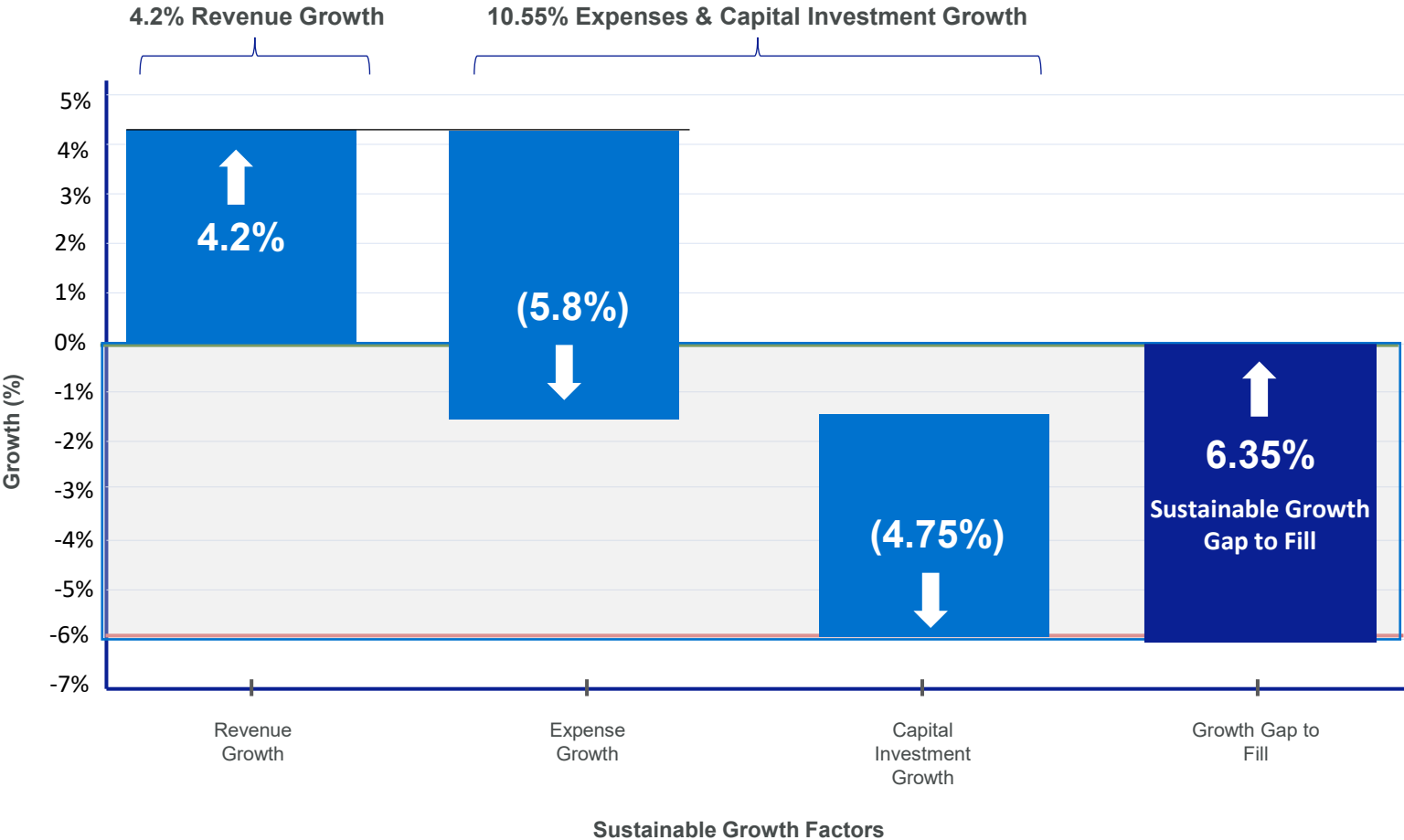


Capital Investment Growth Factors	% Growth
Routine & Replacement	0.75%
Strategic & Growth	3.0%
Infrastructure	0.5%
Contingency	0.5%
Total Capital Investment Growth	4.75%

Sources: American Hospital Association, Strata Financial Decision Support Systems, Kaufman Hall National Hospital Flash Report (Q1 2025)

Evaluating YoY Growth to Support Sustainability

Combining All Factors

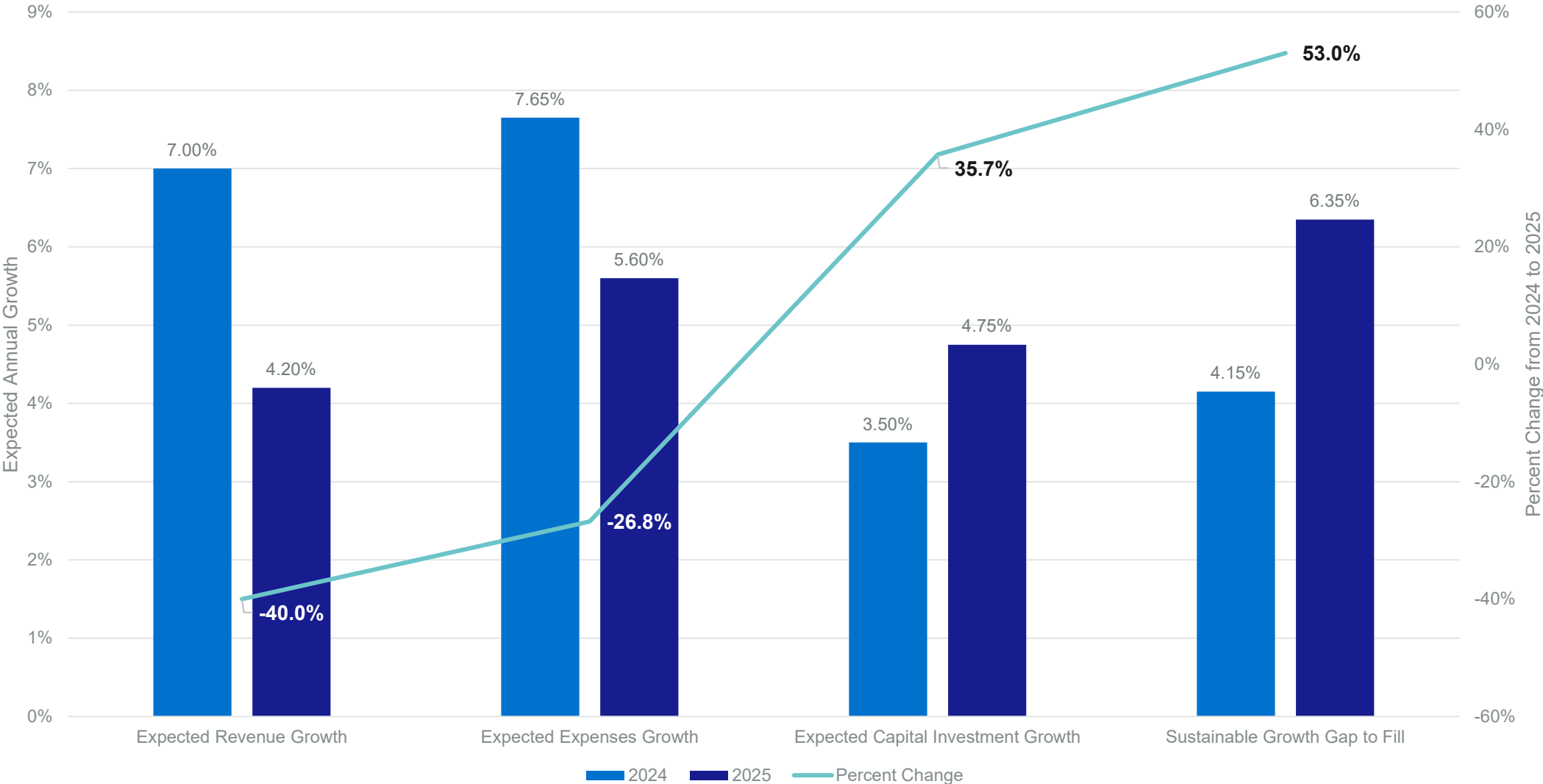


Sustainable Growth	% Growth
Revenue Growth	4.2%
Expenses Growth	5.8%
Capital Investment Growth	4.75%
Sustainable Growth Gap to Fill	(6.35%)

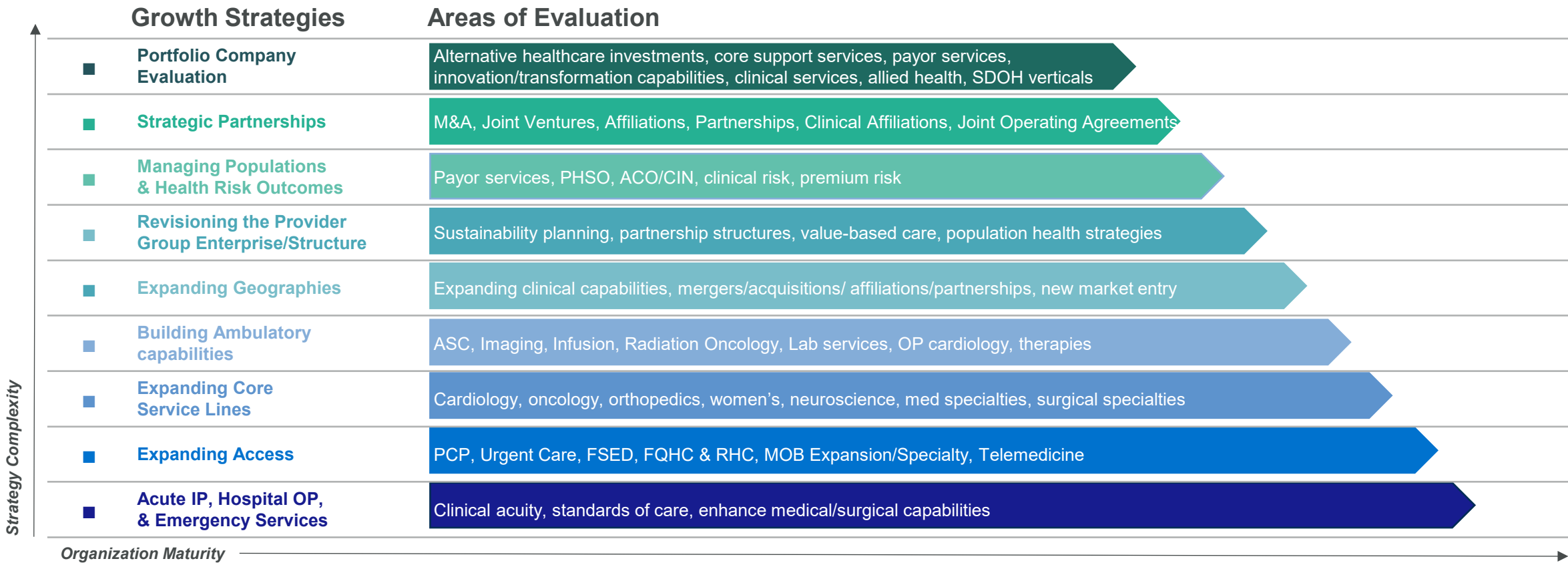
Sources: American Hospital Association, Strata Financial Decision Support Systems, Kaufman Hall National Hospital Flash Report (Q1 2025)

Evaluating YoY Growth to Support Sustainability

Combining All Factors



Forvis Mazars: Strategic Approach to Growth



Evaluation Points Informed by:

1. Market & Population shifts

2. Market Demographics

3. Market Opportunity
4. Shifting epidemiology & sites of service

5. Partnership Alignment
 - Downstream / Peer to Peer / Upstream/
- Clinical Services / JV / Provider Alignment

Capital, Control provisions & Sustainability requirements

04

Building Resilience & Response Readiness



Building Resilience & Response Readiness

Key Questions Hospitals Should Be Asking

- How are we positioned as a health system or hospital in the face of OBBBA?
- What are our most urgent financial, operational, & strategic gaps or risks?
- What would a successful partnership solve for us?
- Are we prepared to lead, follow, or merge?



Building Resilience & Response Readiness

Building Partnership Criteria – Beginning With the End in Mind

How do you identify key criteria that should be decision factors in future partnership considerations?

Criteria	Description
 Governance & Leadership Alignment	Strength, transparency, & readiness of governance & executive leadership, including CEO engagement & shared strategic mindset.
 Strategic & Financial Value	Potential to enhance financial sustainability, competitive positioning, & long-term strategic goals.
 Cultural & Mission Alignment	Compatibility in values, mission, vision, & guiding principles to ensure cohesive collaboration.
 Clinical Quality & Patient Experience	Proven or potential excellence in care delivery, safety, & patient satisfaction.
 Growth & Partnership Potential	Ability to support expansion, differentiation, & attract broader strategic partnerships.
 Shared Accountability & Risk Management	Willingness to engage in value-based models with mutual accountability for outcomes & performance.
 Market Attractiveness	Desirability of the hospital's geographic & demographic market, including growth potential & competitive dynamics.
 Operational Execution & Sustainability	Demonstrated ability to implement initiatives effectively & maintain long-term operational success.
 Expertise in Population Health & Value-Based Care	Infrastructure & experience in managing population health & succeeding in VBC environments.
 Technology & Innovation Alignment	Compatibility with existing platforms & contribution to industry knowledge, innovation, & digital transformation.

Building Resilience & Response Readiness

Key Stakeholders & Role in the Process

Key Executive Leadership

High Engagement

CEOs, CFOs, & strategy officers lead M&A planning, due diligence, negotiations, & integration

Board of Directors

Moderate to High Engagement

Boards are deeply involved in governance, strategic direction, & final approvals. Their role intensifies as deals progress toward execution

Clinical Leaders

Low to Moderate Engagement

Increasingly involved through dyad models (CMO/CNO partnerships), especially in evaluating clinical integration, quality, & patient care alignment

Community & Patients

Low Engagement

Indirect involvement via public forums, feedback, & advocacy. Their needs influence strategic priorities, especially in rural & underserved areas

Building Resilience & Response Readiness

Common Types Partnerships & Value Proposition

1

Merger

Two or more healthcare organizations combine to form a single entity, often with shared governance, branding, & operations.

Value Proposition:

- Achieves economies of scale
- Enhances market presence
- Improves financial stability & care coordination

2

Acquisition

One healthcare organization purchases another, gaining control over its assets, operations, & governance.

Value Proposition:

- Expands service offerings or geographic reach
- Streamlines operations
- Strengthens competitive position

3

Joint Venture

A strategic partnership structure to jointly own healthcare operations of a specific business goal.

Value Proposition:

- Shares risk & investment
- Leverages complementary strengths
- Enables innovation without full integration

4

Clinical Affiliation

A formal relationship between organizations to collaborate on clinical services, often without financial integration.

Value Proposition:

- Enhances clinical quality & access
- Facilitates referrals & shared protocols
- Preserves independence while improving care

5

Shared Services

Organizations agree to share administrative or support services (e.g., IT, HR, supply chain) to reduce costs & improve efficiency.

Value Proposition:

- Reduces overhead
- Improves operational performance
- Maintains autonomy while benefiting from scale

6

Management Agreement

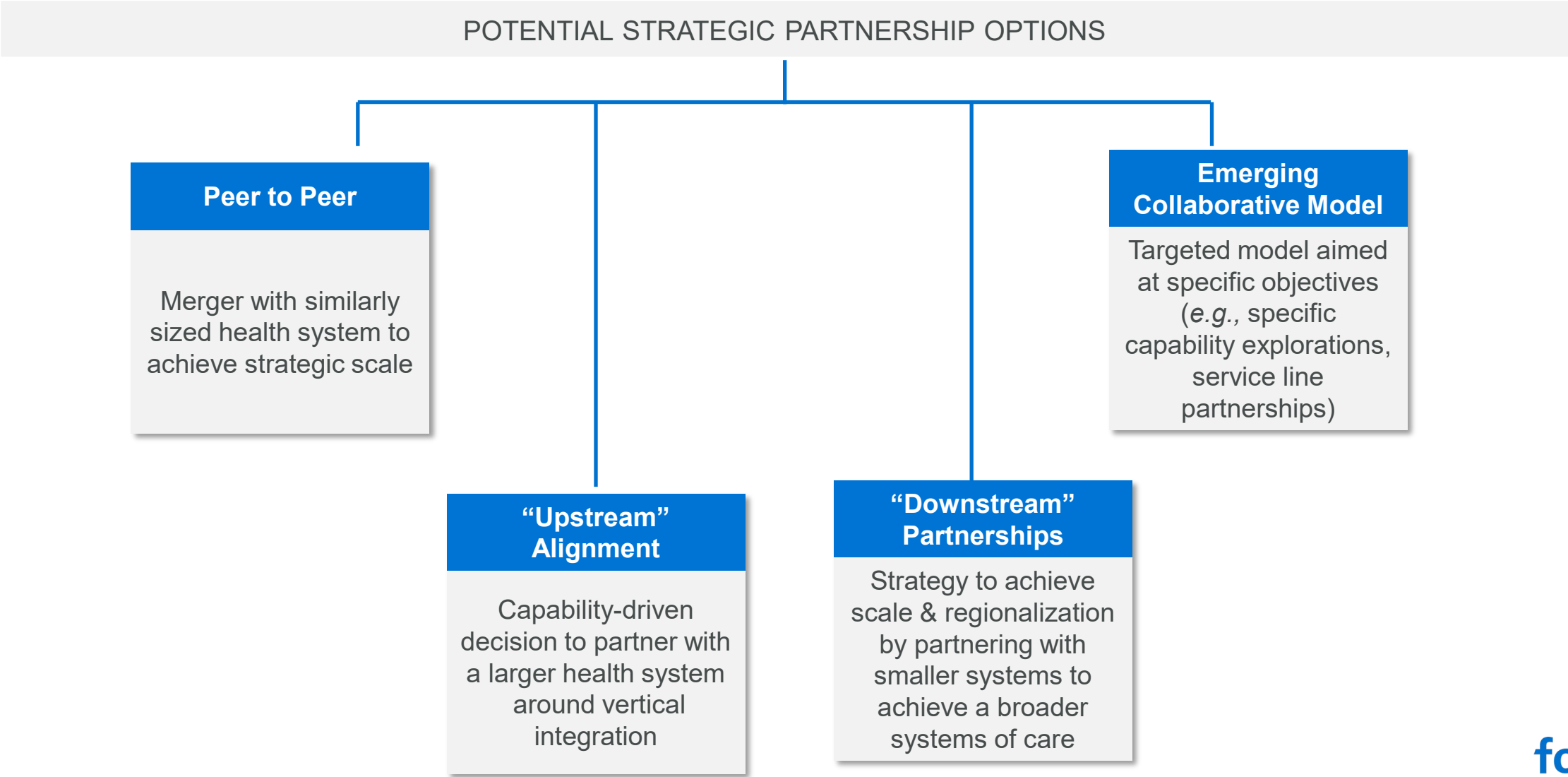
One organization contracts another to manage its operations, often including leadership, strategy, & performance oversight.

Value Proposition:

- Brings in experienced leadership
- Improves operational outcomes
- Avoids full ownership transfer

Building Resilience & Response Readiness

Understanding the Why & Building the Value Proposition



Source: Kaufman Hall

Building Resilience & Response Readiness

Understanding the Why Behind Recent Health System Transactions

Hospital mergers & acquisitions (M&A) are driven by several key reasons and offer various value propositions.

The Why Behind the Transactions



1. **Financial Stability:** Mergers can **solidify the financial sustainability & capital strategies** for hospitals & systems by integrating them into larger, more financially stable health systems.



2. **Operational Efficiency:** Consolidation can lead to **reduced operational costs, enhanced infrastructure, & access to physicians & providers.**



3. **Access to Care:** Mergers can **expand access to care** by **broadening the range of services** & specialists available to patients, developing a regional based strategy.



4. **Quality Improvement:** Mergers are associated with **improvements in patient care quality**, including **reduced readmission rates** & better health outcomes.

The Value Proposition Behind the Transactions



1. **Enhanced Service Offerings:** Post-acquisition, hospitals often **add new services, improving the overall care continuum** for patients.



2. **Cost Reduction:** Mergers can lead to **significant reductions in annual operating expenses** & net patient revenue per admission.



3. **Improved Patient Outcomes:** Research indicates that mergers can lead to **better performance measures**, including **lower mortality rates** & improved patient care.



4. **Strategic Growth:** Mergers enable hospitals to **expand their market reach & operational efficiencies**, positioning them for long-term success.

05

A Focus on Strategic Paths & Impact



A Focus on Strategic Paths & Impact

Large Health System & Rural Hospital

Driving Access & Scale

Scenario 1:

A Large Health System is evaluating the acquisition of a Rural Hospital as part of its strategy to expand access & scale in underserved regions. The acquisition aligns with incentives under the *One Big Beautiful Bill Act* (OBBBA), which supports rural health transformation through infrastructure investment, digital health expansion, & workforce development. By integrating the Rural Hospital into its system, the Large Health System can enhance care access through telehealth, optimize operations via shared services, & leverage federal funding to sustainably scale rural health delivery.

Value Proposition for Large Health Systems

- Expanded Geographic Reach
- Economies of Scale
- Service Line Integration
- Data & Technology Integration
- Financial Stability



Value Proposition for Rural Hospitals

- Access to Capital & Investment
- Clinical Support & Staffing
- Operational Efficiency
- Preservation of Local Care
- Quality Improvement

Mission Alignment

Policy Leverage

Population Health
Impact

Financial
Sustainability

A Focus on Strategic Paths & Impact

Two Mid-Size Organizations

Driving Regional Strength & Positioning

Scenario 2:

Two midsize health systems serve neighboring rural & suburban communities across a multicounty region. Both systems have strong local reputations, complementary service lines, & a shared commitment to community health. However, they face increasing pressure from larger competitors, workforce shortages, & the need for infrastructure modernization. In response, each system is exploring a strategic merger to create a unified regional health system capable of delivering high-quality, coordinated care at scale.

Value Proposition for Each Organization

- Financial Strength & Sustainability
- Expanded Clinical Capabilities
- Operational Efficiency
- Strategic Positioning

**Stronger Regional
Identity**

Improved Access

**Greater Clinical Care
Network**



A Focus on Strategic Paths & Impact

Academic Medical Center & Community Hospital

Driving Clinical Excellence & Access to Expertise

Scenario 3:

An Academic Medical Center (AMC) & a Community Hospital may explore a strategic merger to create a more integrated & resilient regional health system. The AMC brings nationally recognized clinical expertise, research capabilities, & advanced specialty services, while the Community Hospital offers deep community ties, primary care access, & a strong local patient base. Together, they aim to elevate clinical excellence, expand specialty care access, & align with federal incentives under the OBBBA.

Value Proposition for AMC

- Expanded Patient Base
- Training & Education
- Research Opportunities
- Brand Extension
- Revenue Growth



Value Proposition for Community Hospitals

- Access to Specialty
- Clinical Quality & Protocols
- Recruitment & Retention
- Technology & Innovation
- Financial Stability

Regional Leadership

Elevated Care
Standards

Expanded Access

Workforce Growth

06

Are You Asking the Right Questions?



What If You're Not Asking the Right Questions?

Questions for Reflection

Let's Assess Your Organization's Readiness

- Are you evaluating partnerships through a defensive lens, or are you designing for growth?
- What would it look like to reimagine your hospital's role in the regional or statewide ecosystem?
- Who are the non-obvious partners you haven't considered yet?

In a world where every hospital is facing One Big Beautiful Bill, the real risk isn't making the wrong move—it's standing still.

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Polling Question

Would you like Forvis Mazars to follow up with you on this topic?

A | Yes

B | No

Contact

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